GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA

UNSTARRED QUESTION NO:68
ANSWERED ON:25.07.2005
WAIVING OF LOANS
Bhadana Shri Avtar Singh;Bishnoi Shri Jaswant Singh;Goel Shri Surendra Prakash

Will the Minister of AGRICULTURE be pleased to state:

(a) whether the Union Government has prepared any strategy for the drought affected States including Rajasthan in terms of waiving of the interest or loan taken by the farmers and also welfare scheme;

(b) if so, the details thereof; and

(c) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE (SHRI KANTI LAL BHURIA)

(a)&(b): Yes, Sir. Pursuant to the announcement made by the Government of India on 18th June, 2004 containing, inter-alia, measures for providing credit related relief to farmers in the natural calamities affected states including Rajasthan, the banks have been advised as under:

A. Debt restructuring under the following heads in accordance with the guidelines issued by Reserve Bank of India (RBI)/ National Bank for Agriculture & Rural Development (NABARD):

? Farmers in distress − Rescheduling/restructuring of the outstanding loan of the farmer as on 31st March, 2004 in the districts declared as calamity-affected by the State Government. Rescheduled loan shall be repayable over a period of five years, at current interest rates, including an initial moratorium of two years.
? Farmers in arrears − Loans in default of farmers who have become ineligible for fresh credit as their earlier debts have been categorized as sub-standard or doubtful shall be rescheduled as per the guidelines so that such farmers become eligible for fresh credit.

B. Banks have been advised to grant a one-time settlement (OTS) including partial waiver of interest or loan to the small and marginal farmers who have been declared as defaulters and have become ineligible for fresh credit. Banks have also been advised to review cases where credit has been denied on the sole ground that a loan account was settled through compromise or write offs.

C. In some parts of the country, farmers face acute distress because of the heavy burden of debt from non-institutional lenders (e.g., moneylenders). Banks have been permitted to advance loans to such farmers to provide them relief from indebtedness.

2. All the Public Sector banks have been advised to reduce their lending rate for agriculture to a single digit rate of not more than 9% per annum on crop loans upto a ceiling of Rs. 50,000/-. This rate will benefit most of the crop loan account holders and will cover almost all the small and marginal farmers.

3. The Reserve Bank of India in consultation with the Government has issued Standing Guidelines for providing relief to the farmers in areas affected by natural calamities. These guidelines include, inter alia, the following measures:

I. Conversion/ rescheduling of loans in the event of natural calamity for periods ranging from 3 to 9 years depending upon the successive crop failure/ intensity of damage of crops.

II. Grant of fresh crop loans to affected farmers.
III. Conversion of principal as well as interest due on the existing loans.
IV. Grant of consumption loans.
V. Not to compound interest in respect of loans converted/ rescheduled.
VI. Not to charge penal interest in respect of current dues in default.

(c): Does not arise.